

City of Somerville, Massachusetts



FY2008

Capital Investment Plan

Mayor Joseph A. Curtatone

CAPITAL INVESTMENT

INTRODUCTION

Everything the City does, from providing services to its residents and citizens, to equipping employees to effectively perform their jobs, requires the existence of certain basic physical assets. These assets include streets, water mains, parks, buildings, large equipment and technology. They must be purchased, maintained, and replaced on a timely basis or their usefulness in providing public services will diminish. The City's Capital Improvements Program is developed to ensure adequate investment in the City's Assets.

DEFINITION OF CAPITAL PROJECTS

For the purposes of our capital planning process, a capital project is defined as a major, non-recurring expenditure that meets all of the following criteria:

- Massachusetts General Laws permit the City to issue bonds to finance the expenditure;
- The expenditure is \$25,000 or more for a single item;
- The expenditure will have a useful life of 10 years or more for buildings or building components and five years for vehicles and equipment;
- Planning, engineering, or design services may be considered capital when such services are integral to a construction, renewal, or replacement project that meets the criteria for a capital expenditure

CAPITAL POLICY FRAMEWORK

The goal of the capital planning process is to develop a financially sound schedule for the expenditure of funds for major prioritized capital improvements for the fiscal years 2008-2012. To accomplish this goal, school and municipal officials were asked to participate in a planning process that was realistic and not an exercise that simply developed a "wish list". The Administration is committed to a process that identifies and prioritizes the most pressing capital needs of the entire city. While most departmental requests had merit, the City's projected financing resources fell short of accommodating all requests. After reviewing all of these capital requests, the Administration began the lengthy process of refining the requests and setting priorities.

The first year of the plan is the capital budget scheduled for the City for FY 2008. The process of revising the CIP will occur each spring and coincide with the annual operating budget. The current year plan is submitted to the Board separately. The remaining four years of the program will include recommendations for future scheduling

of Capital Projects on a prioritized basis. Future operating costs associated with new capital improvement will be projected and included in operating budget forecasts.

It is important to note that the CIP is a plan and as such is subject to change at any time as certain capital projects and funding streams become more defined. That is why the first few years of the five- year plan are better defined than the later years. Loss of state aid, emergencies, unanticipated expenditures in the operating budget, higher than anticipated borrowing costs, and federal grant cutbacks are all factors that can force a change in the assumptions of the CIP.

POTENTIAL SOURCES OF FUNDING

The following are potential funding sources for financing the City's capital investments:

- **Available Funds (Cash Capital)** – The City regularly appropriates monies from the General Fund and the Enterprise Funds to finance short-term, small capital investment projects. Funds may be appropriated directly from the General Fund Tax Levy as part of the Operating Budget. Examples of available funds are free cash and enterprise fund retained earnings.
- **Stabilization Funds** – Massachusetts General Law, Chapter 40, Section 5B provides for the establishment and maintenance of Capital Project Stabilization Funds. The Mayor and the Board of Aldermen may vote to appropriate sums of money into a Stabilization Fund for purposes of accumulating sums for future capital project financing. Appropriations may be made from a Stabilization Fund by a two-thirds vote of the Board of Aldermen for any purpose for which the City is authorized to borrow under Chapter 44, Sections 7 and 8.
- **Debt Service** – The City has traditionally financed large capital projects with debt. Debt can be appropriated under the General Fund Tax Levy or from Enterprise Funds.
- **Unexpended/Unobligated Bond Proceeds**- Unexpended and unobligated balances from bond proceeds, may be appropriated on the motion of the Mayor by the Board of Aldermen, and used as a financing source for new capital improvement or equipment requests.
- **State and Federal Grants** – The City uses dedicated state aid and grant funding to finance capital investment when these funds are available. The most notable sources of this financing is Chapter 90 State Highway Funds and the Community Development Block Grant.
- **Sale of Surplus Property** – Proceeds from the sale of surplus municipal real estate may be appropriated on the motion of the Mayor by the Board of Aldermen for financing capital projects. Generally, these proceeds are appropriated to a Stabilization Fund.
- **Water and Sewer Charges** – The policy of the City of Somerville is to recover the full budgetary cost of water and sewer operations and capital replacement from water and sewer use charges. Debt Service and issuance costs associated

with water and sewer projects are to be financed from water and sewer use charges.

- **Other Available Funds** – Other sources include Parking Meter Receipts, Insurance Recoveries, and closeouts to Undesignated Fund Balance.

CAPITAL IMPROVEMENT FINANCING POLICIES

Except for projects or improvements authorized by a Proposition 2 ½ Debt Exclusion vote of the electorate, long-term debt for general financing for general municipal purposes shall be constrained to a maximum of **five percent (5%)** of general fund revenues.

The City will apportion a minimum of 30% of its yearly free cash certification to the Capital Projects Stabilization Fund.

The City will apportion a minimum of 10% of its yearly free cash certification to Cash Capital (pay as you go) capital improvements.

The City will not use long-term debt for current operations.

Proceeds from the sale of surplus municipal property shall be dedicated to capital improvement financing.

FY 2008 CAPITAL FINANCING STRATEGY

The Plan assumes an additional appropriation of \$2.5 million from the most recent free cash certification to the Capital Projects Stabilization Fund. The ending balance of the Capital Projects Stabilization Fund at June 30, 2007 is expected to be \$2.8 million.

The expected balance of the Assembly Square Stabilization Fund at June 30, 2007 is \$2 million. As part of the Assembly Square Covenants, the City expects to receive an additional \$1 million from Federal Realty Investment Trust in the fall of 2007. We recommend that the additional \$1 million flow to the Assembly Square Stabilization Fund leaving a balance of \$3 million available for Capital Improvement Projects. We view the Assembly Square Stabilization Fund as the prime vehicle to fund new parks and open space projects. Consequently, the 5 year Plan taps this fund for Debt Service for the years FY08-FY12 for a variety of projects.

The Plan proposes reprogramming unused bond proceeds from the Healey School Reconstruction, Kennedy School Reconstruction, and Cutler School Reconstruction

Projects for needed School Building Improvements throughout the School System. The remaining bond proceeds from these projects total \$ 298,214.

The Plan proposes reprogramming the bond proceeds from the Powderhouse School Renovation Project for needed Building Improvements throughout the City. The unused proceeds total \$488,000.

The Plan proposes consolidating all Traffic Mitigation Funds into one Traffic Safety Stabilization Fund. The estimated funds total \$300,000.

The City is assuming a 4.25% Long Term Borrowing Rate.

At this point in time, accounting for existing commitments, the Projected General Fund Debt Service is as follows:

- FY2008 - \$7,852,409
- FY2009 - \$8,307,445
- FY2010 - \$8,226,894
- FY2011 - \$8,043,632
- FY2012 - \$7,888,018

This projected debt service assumes an additional \$3.3 million borrowed for the Argenziano School at the 4.25% rate; an additional \$8.7 million at a 2% rate as part of the State's Loan Reimbursement Program for the Argenziano School; and the long-term borrowing at a rate of 4.25% for the previously authorized Departmental Equipment of \$2,200,945.

The FY2008 and FY2009 Projected Debt Service is below the 5% General Fund Revenue thresholds. The City assumes a 4.75% yearly growth in General Fund Revenues. Based on this analysis, the City can add \$315,472 in debt service in FY2009 and remain under the 5% cap. Increasing amounts can be added in succeeding years.

FY2008 Recommended Capital Budget

Dept.	Item	Project Cost	Funding Source
School	WHCS-Repaint East Wall-Replace Lenthis-New Bathrooms-Roof Repair	260,000	Balance-School Bond Funds
School	WHCS-New Fire Doors	40,000	Balance-School Bond Funds
School	SHS- Renovate Bathrooms	260,000	Balance-Powderhouse Bond
School	SHS-Replace Power Curtain	20,000	Capital Stabilization
School	Brown-Replace Windows	150,000	Capital Stabilization
School	ESCS-Gym Floor Replacement	150,000	Capital Stabilization
School	Kennedy-Playground Surface	83,000	Capital Stabilization
School	WSNS-Refinish gym floor	15,000	Capital Stabilization
School	WSNS-Provide protection from pigeon droppings	5,000	Capital Stabilization
School	Security Cameras-Outdoor-9 schools	230,000	Capital Stabilization
School	Musical Instruments	100,000	Capital Stabilization
School	ESCS-Univents	ESCO	GF Debt Service-ESCO savings
School	Brown- HVAC for Third Floor	ESCO	GF Debt Service-ESCO savings
School	ESCS-HVAC Replacement	ESCO	GF Debt Service-ESCO savings
School	Healey-HVAC Repair	ESCO	GF Debt Service-ESCO savings
School	Kennedy-HVAC Repair	ESCO	GF Debt Service-ESCO savings
School	WHCS-HVAC Repair	ESCO	GF Debt Service-ESCO savings
School	WHCS-Gym wall mats	5,000	Capital Stabilization
School	SHS-Paint Hallways	100,000	Capital Stabilization
School	SHS-Cafeteria Kitchen Floor	50,000	Capital Stabilization
School	SHS-Paint shop floor with skid proof paint	20,000	Capital Stabilization
School	ESCS-Replace bleachers	30,000	Capital Stabilization
School	Healey & Kennedy - Repair power curtain divider	10,000	Capital Stabilization
Traffic	Replace Radio System	10,000	Parking Meter Receipts
Traffic	Handicapped Chair Lift	19,432	Parking Meter Receipts
Traffic	Security Measures-cameras/glass	11,000	Parking Meter Receipts
Traffic	Repair Foundation-T&P building	26,095	Parking Meter Receipts
Traffic	Build 5th Customer Service Window	10,000	Parking Meter Receipts
Fire	Commmand Vehicle	55,000	GF Debt Service
Fire	Fire Prevention Vehicles (4) Hybrids	80,000	GF Debt Service
Fire	Fire Pumper	440,000	GF Debt Service
Police	Police Cruisers (2)	51,000	Operating Budget
Police	Cargo Van for Animal Control	17,020	GF Debt Service
Cap Proj	House Doctor Analysis-Structural Evaluation		
	City Hall, Central Library, West Branch Library, Highland Ave. Fire Station	124,494	Balance-ExecCD98 Bond Issue
Cap Proj	Argenziano School Construction	35,728,596	GF Debt Service
Cap Proj	Repairs to Buena Vista Garage	150,000	Operating Budget
Cap Proj	Central Library-masonry stabilization-roofing repairs	208,330	Balance-Powderhouse Bond
DPW	Improvements to City's Energy Efficiency-ESCO	7,260,000	GF Debt Service-ESCO savings
DPW	Private Way Reconstruction	50,000	Operating Budget
DPW	Resurfacing Streets	808,000	Chapter 90
DPW	Pave Brown Schoolyard	25,000	Operating Budget
DPW-Library	Replace Carpeting in Central Library	100,000	Operating Budget
DPW	Replace Carpeting in various School & Municipal Buildings	50,000	Operating Budget
DPW	Big Belly Barrells	150,000	Capital Stabilization
DPW	Reconstruction of Somerville Avenue	2,500,000	GF Debt Service
DPW	Central Library-plastering & painting walls	100,000	Capital Stabilization
SPCD	Trum Fieldhouse Renovation	2,623,499	Assembly Sq. Stabilization (2.3M)
			USH Grant, CDBG, Donation
SPCD	Allen Street Park	335,788	EPA, CDBG, USH Grant
SPCD	Durrell Park	76,150	CDBG, USH
SPCD	Stone Park Place	303,217	CDBG
SPCD	Perry Park	925,000	CDBG
SPCD	Kemp Nut Park	775,000	CDBG, USH
SPCD	Community Path Extension-Greenway Park	660,162	EPA, USH, CDBG
			Assembly Sq. Stabilization 188,000
SPCD	Skilton Ave. Reconstruction	250,000	CDBG
SPCD	Eco-Lab	In review	In Review
SPCD	Hodgkins Park & Ballfield	785,000	Assembly Sq. Stabilization
SPCD	Central Hill Park & Memorial Park	500,000	Assembly Sq. Stabilization
SPCD	111 South Street-OLRA	100,000	CDBG
SPCD	Grimmons Park	395,000	Assembly Sq. Stabilization
SPCD	Albion Park	395,000	Assembly Sq. Stabilization
SPCD	North Street Playground	250,000	CDBG

SPCD	Zero New Washington Street -OLRA	200,000	CDBG
SPCD	Safe Start Initiatives	300,000	Traffic Safety Stabilization

Dept.	Project	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Total
EXISTING GENERAL OBLIGATION BONDS							
	Municipal Purpose 04/01/1998	1,002,720	-	-	-	-	1,002,720
	Municipal Purpose 02/15/2002	2,087,620	2,078,620	2,078,220	2,059,220	2,033,220	10,336,900
	Municipal Purpose 03/15/2004	953,268	951,206	949,820	919,925	924,979	4,699,197
	Municipal Purpose 08/15/2006	1,056,905	1,021,805	986,905	903,205	807,005	4,775,825
	Refunding Municipal Purpose 08/15/2006	2,056,130	3,027,930	3,009,130	2,983,530	2,970,130	14,046,850
							-
	TOTAL EXISTING BONDS @ June 30, 2007	7,156,643	7,079,561	7,024,075	6,865,880	6,735,334	34,861,492
NEW COMMITTED GENERAL OBLIGATION BONDS FOR FY 2008							
	Department Equipment GOB 2,200,943	93,540	313,635	304,281	294,927	285,573	1,291,956 GF Debt Service
	Argenziano School Construction MSBA 2% 8.7 & GOB 3.3	314,250	914,250	898,538	882,825	867,113	3,876,976 GF Debt Service
	TOTAL NEW COMMITTED GENERAL OBLIGATION BONDS FOR FY 2008	407,790	1,227,885	1,202,819	1,177,752	1,152,686	5,168,932
	SUB-TOTAL EXISTING & NEW COMMITTED GOB @ June 30, 2007	7,564,433	8,307,446	8,226,894	8,043,632	7,888,020	40,030,424
NEW CAPITAL BUDGET ITEMS							
SPCD	Hodgkins Park & Ballfield	33,363	85,696	83,471	81,247	79,023	362,800 Assembly Sq. Stabilization
SPCD	Central Hill Park & Memorial Park	21,250	54,583	53,166	51,750	50,333	231,082 Assembly Sq. Stabilization
SPCD	Grimmons Park	16,788	43,121	42,001	40,882	39,763	182,555 Assembly Sq. Stabilization
SPCD	Albion Park	16,788	43,121	42,001	40,882	39,763	182,555 Assembly Sq. Stabilization
		88,189	226,521	220,639	214,761	208,882	958,992 Assembly Sq. Stabilization Total
Cap Proj	House Doctor Analysis-Structural Evaluation	124,494	-	-	-	-	124,494 Balance - ExecCD98 Bond Issue
Cap Proj	City Hall, Central Library, West Branch Library, Highland Ave. Fire Station						- Balance - ExecCD98 Bond Issue
		124,494	-	-	-	-	124,494 Balance - ExecCD98 Bond Issue Total
School	SHS- Renovate Bathrooms	260,000	-	-	-	-	260,000 Balance - Powderhouse Bond
Cap Proj	Central Library-masonry stabilization-roofing repairs	208,330	-	-	-	-	208,330 Balance - Powderhouse Bond
		468,330	-	-	-	-	468,330 Balance - Powderhouse Bond Total
School	WHCS-Repoint East Wall-Replace Lentils-New Bathrooms-Roof Repair	260,000	-	-	-	-	260,000 Balance - School Bond Funds
School	WHCS-New Fire Doors	40,000	-	-	-	-	40,000 Balance - School Bond Funds
		300,000	-	-	-	-	300,000 Balance - School Bond Funds Total
School	SHS-Replace Power Curtain	20,000	-	-	-	-	20,000 Capital Stabilization
School	Brown-Replace Windows	150,000	-	-	-	-	150,000 Capital Stabilization
School	ESCS-Gym Floor Replacement	150,000	-	-	-	-	150,000 Capital Stabilization
School	Kennedy-Playground Surface	83,000	-	-	-	-	83,000 Capital Stabilization
School	WSNS-Refinish gym floor	15,000	-	-	-	-	15,000 Capital Stabilization
School	WSNS-Provide protection from piegen droppings	5,000	-	-	-	-	5,000 Capital Stabilization
School	Security Cameras-Outdoor-9 schools	230,000	-	-	-	-	230,000 Capital Stabilization
School	Musical Instruments	100,000	-	-	-	-	100,000 Capital Stabilization
School	WHCS-Gym wall mats	5,000	-	-	-	-	5,000 Capital Stabilization
School	SHS-Cafeteria Kitchen Floor	50,000	-	-	-	-	50,000 Capital Stabilization
School	SHS-Paint shop floor with skid proof paint	20,000	-	-	-	-	20,000 Capital Stabilization
School	ESCS-Replace bleachers	30,000	-	-	-	-	30,000 Capital Stabilization
School	Healey & Kennedy - Repair power curtain divider	10,000	-	-	-	-	10,000 Capital Stabilization
DPW	Big Belly Barrells	150,000					150,000 Capital Stabilization
DPW	Central Library-plastering & painting walls	100,000					100,000 Capital Stabilization

Dept.	Project	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Total	
School	SHS-Paint Hallways	100,000					100,000	Capital Stabilization
		1,218,000	-	-	-	-	1,218,000	Capital Stabilization Total
SPCD	Stone Park Place	303,217					303,217	CDBG
SPCD	Perry Park	925,000					925,000	CDBG
SPCD	Skilton Ave. Reconstruction	250,000					250,000	CDBG
SPCD	111 South Street-OLRA	100,000					100,000	CDBG
SPCD	North Street Playground	250,000					250,000	CDBG
SPCD	Zero New Washington Street -OLRA	200,000					200,000	CDBG
		2,028,217	-	-	-	-	2,028,217	CDBG Total
SPCD	Durrell Park	76,150					76,150	CDBG, USH
SPCD	Kemp Nut Park	775,000					775,000	CDBG, USH
		851,150	-	-	-	-	851,150	CDBG, USH Total
DPW	Resurfacing Streets(10-12)	808,000					808,000	Chapter 90
		808,000	-	-	-	-	808,000	Chapter 90 Total
SPCD	Allen Street Park	335,788					335,788	EPA, CDBG, USH Grant
		335,788	-	-	-	-	335,788	EPA, CDBG, USH Grant Total
SPCD	Community Path Extension-Greenway Park	660,162					660,162	EPA, USH, CDBG
		660,162	-	-	-	-	660,162	EPA, USH, CDBG Total
Fire	Command Vehicle	2,338	13,338	12,870	12,403	11,935	52,884	GF Debt Service
Fire	Fire Prevention Vehicles (4) Hybrids	3,400	19,400	18,720	18,040	17,360	76,920	GF Debt Service
Fire	Fire Pumper	18,700	106,700	102,960	99,220	95,480	423,060	GF Debt Service
Police	Cargo Van for Animal Control	723	4,127	3,983	3,838	3,693	16,364	GF Debt Service
Cap Proj	Argenziano School Construction MSBA 2% 8.7 & GOB 3.3	314,250	914,250	898,538	882,825	867,113	3,876,976	GF Debt Service
SPCD	Trum Fieldhouse Renovation GOB 2,300,000	97,750	212,750	207,863	202,975	198,088	919,426	GF Debt Service
		437,161	1,270,565	1,244,934	1,219,301	1,193,669	5,365,630	GF Debt Service Total
DPW	Improvements to City's Energy Efficiency-ESCO	161,333	679,909	664,396	648,884	633,371	2,787,893	GF Debt Service - ESCO Savings
		161,333	679,909	664,396	648,884	633,371	2,787,893	GF Debt Service - ESCO Savings Total
SPCD	Eco-Lab	-	-	-	-	-	-	In Review
		-	-	-	-	-	-	In Review Total
Police	Police Cruisers (2)	51,000	-	-	-	-	51,000	Operating Budget
Cap Proj	Repairs to Buena Vista Garage	150,000	-	-	-	-	150,000	Operating Budget
DPW	Private Way Reconstruction	50,000					50,000	Operating Budget
DPW	Pave Brown Schoolyard	25,000					25,000	Operating Budget
DPW - Library	Replace Carpeting in Central Library	100,000					100,000	Operating Budget
DPW	Replace Carpeting in various School & Municipal Buildings	50,000					50,000	Operating Budget
		426,000	-	-	-	-	426,000	Operating Budget Total
Traffic	Replace Radio System	10,000	-	-	-	-	10,000	Parking Meter Receipts
Traffic	Handicapped Chair Lift	19,432	-	-	-	-	19,432	Parking Meter Receipts
Traffic	Security Measures-cameras/glass	11,000	-	-	-	-	11,000	Parking Meter Receipts
Traffic	Repair Foundation-T&P building	26,095	-	-	-	-	26,095	Parking Meter Receipts
Traffic	Build 5th Customer Service Window	10,000	-	-	-	-	10,000	Parking Meter Receipts
		76,527	-	-	-	-	76,527	Parking Meter Receipts Total
SPCD	Safe Start Initiatives	300,000					300,000	Traffic Safety Stabilization
		300,000	-	-	-	-	300,000	Traffic Safety Stabilization Total
SUB-TOTAL NEW CAPITAL BUDGET ITEMS		8,283,351	2,176,995	2,129,969	2,082,946	2,035,922	16,709,183	
GRAND TOTAL		15,847,784	10,484,441	10,356,863	10,126,578	9,923,942	56,739,607	